Regulation 39-22-516(2.5). Alternative Fuel Vehicle Credit.

- (1) Credit allowed. For income tax years beginning on or after July 1, 1998, but prior to January 1, 2012, a Colorado income tax credit is allowed for the purchase of an alternative fuel vehicle, for a motor vehicle that is converted to use alternative fuel, or for the replacement of the power source with a power source that uses alternative fuel.
- (2) Credit calculation. The credit is a percentage of:
- (a) The difference between the cost of the vehicle and the cost of the same or most similar vehicle that uses a traditional fuel, or
- (b) The cost incurred in converting the vehicle to an alternative fuel, or
- (c) The difference between the cost of replacing the power source and the cost of the same or most similar power source that uses a traditional fuel.
- In (a) and (c) above, if the cost of the traditional fuel option is greater than or equal to the cost of the alternative fuel option, then the credit will be equal to \$0.
- (3) The basic percentage of the credit depends on the certification level of the vehicle and the year in which the expenditure is made, as follows:

Certification level	Tax year beginning	Tax year beginning		
	prior to January 1, 2010	prior to January 1, 2012		
Low-emitting vehicle	50%	25%		
Ultra-low-emitting				
vehicle or inherently-	75%	50%		
low-emitting vehicle				
Zero-emitting vehicle	85%	75%		

These percentages are doubled, up to a maximum credit of 100%, if the vehicle or power source permanently displaces (will never be operated on Colorado highways in the future) a vehicle or power source that is ten years old or older

- (4) Vehicle requirements. To qualify for the credit:
- (a) The vehicle must be titled and registered in Colorado, and
- (b) The vehicle must meet the following business use requirements.
- (I) For tax years beginning prior to July 1, 2000, the vehicle must be used in connection with a business. If a vehicle is used part of the time for business use and part of the time for personal use, the credit must be prorated in proportion to the percentage of time during the tax year that the motor vehicle was used for business purposes.
- (II) For tax year tax years beginning on or after July 1, 2000, the vehicle may be used for business or personal use.
- (5) A vehicle can qualify for this credit one time. To claim the credit on the purchase of a used vehicle a taxpayer must:

- (a) Provide documentation that a previous owner did not claim this credit. This may include a list of the prior owners by name and address or other documentation of the history of the vehicle indicating that the credit has not been previously claimed.
- (b) Provide the cost difference used in computing the credit and the basis on which it is computed.
 - I. The cost difference will usually decrease ratably with the decrease in the value of the vehicle. For example, if the price paid for the used vehicle is 40% of the original MSRP, then the credit allowed will be 40% of the credit available for that vehicle when new.
 - II. The condition of the comparison vehicle must be comparable to the alternative fuel vehicle. For example, if a ten-year old vehicle had a new alternative fuel engine put in one year ago, then the vehicle must be compared to the most similar vehicle valued with a one year old gas engine, not a ten-year old engine.
- (6) Low emitting vehicle restriction.
- (a) For tax years beginning prior to January 1, 1999, if the expenditure qualifies at the low-emitting vehicle level, and the purchase is made in order to satisfy the minimum requirements of the clean fuel fleet program, the expenditure will not qualify for this credit.
- (b) For tax years beginning on or after January 1, 1999, the restriction in paragraph (6)(a) above, no longer applies to the credit.
- (7) Lessees of vehicles.
- (a) Lessees of qualifying vehicles are eligible for the alternative fuel vehicle credit. The available credit is calculated by subtracting the value of the vehicle when the lease expires from the cost of the vehicle to the lessor at the time of the lease transaction (capitalized cost), and dividing that amount by the cost of the vehicle to the lessor at the time of the lease transaction. This percentage is then multiplied by the qualifying expenses to determine the amount of the expenditure that can be used in computing the amount of the credit.
- (b) Only the lessor or lessee of the vehicle may claim the credit. If the vehicle is converted at the factory, the lessor has the option of claiming the credit or passing the right to claim the credit to the lessee. If the lessee converts the vehicle, then only the lessee may claim the credit.
- (8) Credit carryovers. If the credit allowed by this section exceeds the taxpayer's tax liability, such excess may be carried forward for up to five income tax years.
- (9) Limitation from other rebate programs. Any expenses reimbursed by a rebate issued by the Office of Energy Conservation or any other entity will not qualify for this credit.

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